

1984 ANNUAL REPORT OF THE BOARD OF
TRUSTEES OF THE FEDERAL OLD-AGE
AND SURVIVORS INSURANCE AND DIS-
ABILITY INSURANCE TRUST FUNDS

COMMUNICATION

FROM

THE BOARD OF TRUSTEES, FEDERAL
OLD-AGE AND SURVIVORS INSURANCE
AND DISABILITY INSURANCE TRUST
FUNDS

TRANSMITTING

THE 1984 ANNUAL REPORT OF THE BOARD, PURSUANT TO SSA,
SEC. 201(c) (2)



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LETTER OF TRANSMITTAL

BOARD OF TRUSTEES OF THE
FEDERAL OLD-AGE AND SURVIVORS INSURANCE
AND DISABILITY INSURANCE TRUST FUNDS,
Washington, D.C., April 5, 1984

HONORABLE THOMAS P. O'NEILL, JR.
Speaker of the House of Representatives
Washington, D.C.

HONORABLE GEORGE BUSH
President of the Senate
Washington, D.C.

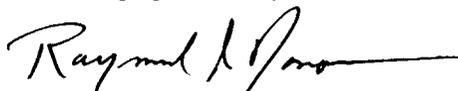
GENTLEMEN: We have the honor of transmitting to you the 1984 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund (the 44th such report), in compliance with the provisions of section 201(c) of the Social Security Act.

Respectfully,



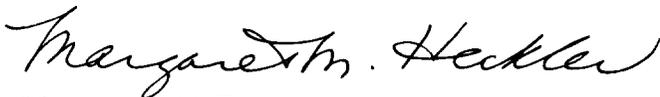
DONALD T. REGAN,

*Secretary of the Treasury,
and Managing Trustee of the Trust Funds.*



RAYMOND J. DONOVAN,

*Secretary of Labor,
and Trustee.*



MARGARET M. HECKLER,

*Secretary of Health and Human Services,
and Trustee.*



MARTHA A. MCSTEEN,

*Acting Commissioner of Social Security,
and Secretary, Board of Trustees.*

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1984 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS

I. THE BOARD OF TRUSTEES

The Federal Old-Age and Survivors Insurance Trust Fund, established on January 1, 1940, and the Federal Disability Insurance Trust Fund, established on August 1, 1956, are held by the Board of Trustees under the authority of section 201(c) of the Social Security Act. Currently, the Board has three members, who serve in an ex officio capacity. These members are the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health and Human Services. The Social Security Amendments of 1983 (Public Law 98-21, enacted into law on April 20, 1983) provide for the addition of two public members to the Board of Trustees. The two new members are to be nominated by the President for a term of 4 years, and are subject to confirmation by the Senate.

By law, the Secretary of the Treasury is designated as the Managing Trustee, and the Commissioner of Social Security is designated as Secretary of the Board. The Board of Trustees reports to the Congress each year on the operation and status of the trust funds, in compliance with section 201(c)(2) of the Social Security Act. This report, the 44th such report, is the annual report for 1984.

II. HIGHLIGHTS

This section summarizes the more important developments since the 1983 Annual Report was issued on June 24, 1983, and describes the major features of this report. These topics are discussed in more detail in later sections.

Trust fund operations during fiscal year 1983

- (a) For the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds in fiscal year 1983, the combined income was \$170.3 billion, while the combined outgo was \$170.1 billion. This was the first year in nearly a decade that income exceeded expenditures. The improved cash-flow situation reflects the effects of the Social Security Amendments of 1983 (Public Law 98-21), the provisions of which are described in detail in the 1983 Annual Report. The provision of the 1983 amendments which had the greatest effect in fiscal year 1983 is the change in the financing basis of deemed wage credits based on military service. This change resulted in lump-sum transfers on May 20, 1983, from the general fund of the Treasury to the OASI and DI Trust Funds, amounting to \$19.7 billion. Another provision that had a significant effect in fiscal year 1983 is the 6-month delay in the automatic annual benefit increases. This provision delayed the OASDI benefit increase in 1983 from June to December. In addition, loans amounting to \$12.4 billion were made from the Hospital Insurance (HI) Trust Fund to the OASI Trust Fund in December 1982, and loans amounting to \$5.1 billion were made from the DI Trust Fund to the OASI Trust Fund in November and December 1982. Thus, including the effects of these interfund loans, the assets of the OASI Trust Fund increased by \$14.1 billion, and the assets of the DI Trust Fund decreased by \$1.5 billion, during the fiscal year.
- (b) The total number of persons receiving monthly benefits under the OASDI program was 35.9 million at the end of September 1983. An estimated 116 million workers had earnings in calendar year 1983 that were taxable and creditable toward benefits under the program.
- (c) The trust funds earned interest amounting to \$1.8 billion during fiscal year 1983. The effective annual rate of interest earned by the combined assets of the OASI and DI Trust Funds during the 12 months ending June 30, 1983, was 11.3 percent. During the same period, the average interest rate on new securities purchased by the trust funds was also 11.3 percent.
- (d) Administrative expenses for the OASDI program during fiscal year 1983 were \$2.2 billion, which represented 1.3 percent of benefit payments during the year.

Financial status of the trust funds

The estimates in this report indicate that benefits under the Old-Age, Survivors, and Disability Insurance program can be paid on time well into the next century on the basis of all four sets of assumptions for which estimates are shown. The financial outlook shown in this report

for the OASDI program is therefore similar to that shown in the last annual report.

The stabilizer provision of the 1983 amendments is not expected to affect the automatic benefit increase for December 1984, even on the basis of very adverse economic conditions. Thus, the 1984 automatic increase in OASDI benefits will almost certainly be based on the full increase in the Consumer Price Index, even if average wages increase at a lower rate.

Four sets of financial projections are shown in this report, to indicate future income and outgo under a broad range of conditions which are described in the subsection entitled "Economic and Demographic Assumptions." As in recent annual reports, one set of assumptions, alternative I, is designated as "optimistic," and another, alternative III, is termed "pessimistic." The particular economic and demographic assumptions in each set are so characterized depending on whether they have a favorable or unfavorable effect on the financial status of the trust funds. Two alternative "intermediate" sets of assumptions are used: alternative II-A and alternative II-B. These intermediate sets share the same demographic assumptions. However, for alternative II-A, future economic performance resembling that of the more robust recent economic expansions is assumed. For alternative II-B, a slight deceleration from the recent rates of economic growth is assumed, followed by less robust economic experience than assumed for alternative II-A. This presentation illustrates the beneficial effect on the financial status of the trust funds of higher real growth in wages, higher employment, and lower inflation, for any given set of demographic assumptions. For the "pessimistic" assumptions, a near-term decline in the economy is assumed, followed by slow but steady growth thereafter. Thus, this set of assumptions represents a fairly adverse economic situation but obviously not the worst conditions that could occur.

The estimated trust fund levels shown in this report are relatively low through 1987. Thus, although the OASDI program is estimated to be adequately financed for many years into the future on the basis of the assumptions in this report, the solvency of the program cannot be guaranteed under all circumstances. If actual economic conditions in 1984-87 are, on the average, worse (in regard to their effect on OASDI financing) than those assumed for alternative III, such as a more severe recession in that period, the OASDI program could again experience financial difficulties.

The financial projections are described in detail for three time periods of particular interest—short range, medium range, and long range. The estimates for the various time periods can be summarized as follows:

- (a) Short range (1984-88)—On the basis of the four alternative sets of assumptions used in this report, income to the OASI Trust Fund is expected to exceed expenditures in every year of the short-range projection period (excluding the effects of interfund loan repayments to the DI and HI Trust Funds). On the basis of alternatives II-A and II-B, the income to the DI Trust Fund is estimated to exceed expenditures after 1985. This is also the case after 1984 on the basis of alternative I, and after 1987 on the basis

of alternative III. The near-term declines in the assets of the DI Trust Fund are more than offset by increases in the assets of the OASI Trust Fund, on the basis of alternatives I, II-A, and II-B. Based on alternative III, relatively small declines in the combined assets of the OASI and DI Trust Funds, as a percentage of program outgo, are projected to occur through the early part of 1988. This partially reflects the effects of the assumed repayments, in 1988, of the amounts owed to the HI Trust Fund, as described below.

On the basis of alternatives I, II-A, and II-B, the estimated increases in the combined assets of the OASI and DI Trust Funds would be sufficient to trigger the automatic-repayment provisions that apply to the interfund loans made in 1982 from the HI Trust Fund to the OASI Trust Fund. Full repayment of such loans would be required by February 1, 1987, on the basis of alternatives I, II-A, and II-B. Based on alternative III, no repayment of the amounts owed to the HI Trust Fund would be required by law prior to 1988. For the alternative III estimates shown in this report, however, full repayment is assumed to occur in the first half of 1988—in six equal monthly payments. Without such repayments, as indicated in the concurrent 1984 Annual Report for the Hospital Insurance program, the HI Trust Fund would be depleted in 1988 on the basis of the alternative III assumptions.

On the basis of all four sets of assumptions, the OASI and DI Trust Funds would have sufficient assets to permit timely payment of benefits throughout this period. The level of assets compared to annual expenditures, however, would remain relatively low through about 1987, making the funds somewhat vulnerable, during that period, to certain types of adverse economic conditions worse (in terms of their effect on the trust funds) than those assumed for alternative III.

As noted in the concurrent 1984 Annual Report for the Hospital Insurance Trust Fund, on the basis of all four sets of assumptions, the HI Trust Fund would be depleted within about 5-10 years without corrective legislation. Estimates of the assets of the HI Trust Fund, and of the combined assets of the OASI, DI, and HI Trust Funds, are summarized in Appendix F. While the OASI and DI Trust Funds would have sufficient assets to permit loans to the HI Trust Fund which could prevent its depletion in the short-range period and slightly beyond (based on all four sets of assumptions), interfund loans are now permitted only through 1987, and any amounts owed at the beginning of 1988 must be repaid within 2 years. Thus, the expected depletion of the HI Trust Fund could not be prevented or delayed through the use of the present interfund-borrowing provisions.

- (b) Medium range (1984-2008)—On the basis of the four alternative sets of assumptions, average annual costs for the OASDI program during the 25-year projection period range from 9.36 to 11.63 percent of taxable payroll, while average income ranges from 12.51 to 12.59 percent. Thus, the projected medium-range

actuarial balance is a surplus varying from 3.15 to 0.97 percent of taxable payroll. As shown in Appendix F, the medium-range actuarial balance for the combined OASI, DI, and HI programs is a surplus of 1.23 percent of taxable payroll on the basis of alternative II-A and 0.71 percent on the basis of alternative II-B.

- (c) Long range (1984-2058)—Over the 75-year projection period, annual costs for the OASDI program are projected to average from 10.01 to 17.22 percent of taxable payroll, depending on the assumptions. During this period, average income ranges from 12.76 to 13.10 percent of taxable payroll. Thus, the projected long-range actuarial balance varies from a surplus of 2.75 percent of taxable payroll, on the basis of the alternative I assumptions, to a deficit of 4.12 percent of taxable payroll, on the basis of the alternative III assumptions.

On the basis of alternative II-A, an average surplus of 0.65 percent of taxable payroll is projected. This surplus consists of average surpluses of 2.40 and 0.72 percent of taxable payroll over the first and second 25-year subperiods, respectively, and an average deficit of 1.16 percent over the third 25-year subperiod. On the basis of alternative II-B, a deficit of 0.06 percent of taxable payroll is estimated. This small average deficit of 0.06 percent of taxable payroll over the 75-year projection period is within the range of "close actuarial balance," as defined in the section of this report entitled "Actuarial Cost Projections." However, as was the case for alternative II-A, the 25-year subperiods show a pattern of recurring deficits in the latter part of the 75-year projection period. The actuarial balance based on alternative II-B consists of an average surplus of 2.01 percent of taxable payroll over the first 25-year subperiod, and average deficits of 0.05 and 2.14 percent over the second and third 25-year subperiods, respectively.

As shown in Appendix F, the long-range actuarial balance for the combined OASI, DI, and HI programs is a deficit of 4.09 percent of taxable payroll on the basis of alternative II-B. This deficit consists of an average surplus of 0.71 percent of taxable payroll over the first 25-year subperiod, and average deficits of 4.36 and 8.62 percent over the second and third 25-year subperiods, respectively.

These 75-year projections are subject to considerable uncertainty and should be interpreted, not as precise forecasts of expected program operations, but as indications of how the trust funds would operate under present law if the assumed economic and demographic conditions actually were to materialize. Despite their inherent uncertainty, these projections, and the resulting patterns of surpluses and deficits in the various subperiods, provide a valuable picture of the long-range financial obligations of the Social Security program and information on how program costs would respond to changing conditions.

Developments since the last annual report

- (a) An automatic benefit increase of 3.5 percent became effective for December 1983. (The statement announcing the determination of this increase is shown in Appendix C.)
- (b) Effective for 1984, the contribution and benefit base was increased from \$35,700 to \$37,800. The annual exempt amounts under the retirement earnings test were increased from \$4,920 to \$5,160, for beneficiaries under age 65, and from \$6,600 to \$6,960 for beneficiaries aged 65 through 69. (The retirement earnings test does not apply to beneficiaries aged 70 and over.) The amount of annual earnings required for a quarter of coverage was increased from \$370 to \$390. (The statement announcing these changes is shown in Appendix D.)

III. SOCIAL SECURITY AMENDMENTS SINCE THE 1983 REPORT

Since the 1983 Annual Report was transmitted on June 24, 1983, only one law affecting the OASDI program in any significant way has been enacted. Public Law 98-118 (enacted into law on October 11, 1983) included two sections affecting the OASDI program:

1. It extended the temporary provision of law which permits the continued payment of disability benefits during the appeals process, in certain situations following a decision to terminate such benefits. The original provision, which was included in Public Law 97-455 (enacted on January 12, 1983), applied to termination decisions which were made before October 1, 1983. The new law extended the provision to apply to termination decisions which were made before December 7, 1983.
2. It delayed until 1986 the Social Security coverage of salaries paid to Federal judges who return to active duty from retirement. Such coverage had been required to begin on January 1, 1984, under the Social Security Amendments of 1983 (Public Law 98-21, enacted on April 20, 1983).

Details of this law can be found in documents prepared by and for the Congress. The financial projections shown in this report reflect the effects of these amendments.

IV. NATURE OF THE TRUST FUNDS

The Federal Old-Age and Survivors Insurance Trust Fund was established on January 1, 1940, as a separate account in the United States Treasury. All the financial operations of the OASI program are handled through this fund. The Federal Disability Insurance Trust Fund is another separate account in the United States Treasury; it was established on August 1, 1956. All the financial operations of the DI program are handled through this fund.

The major sources of receipts of these two funds are (1) amounts appropriated to each of them under permanent authority on the basis of contributions paid by workers, their employers, and individuals with self-employment income, in work covered by the OASDI program, and (2) amounts deposited in each of them representing contributions paid by or on behalf of workers employed by State and local governments and by such employers with respect to wages covered by the program. All employees, and their employers, in covered employment are required to pay contributions with respect to their wages. Employees are required to pay contributions with respect to cash tips, but employers are required to pay contributions on only that part of tip income deemed to be wages under the Federal minimum wage law. All covered self-employed persons are required to pay contributions with respect to their covered net earnings from self-employment. In addition to making the required employer contributions on the earnings of covered Federal employees, the Federal government also pays amounts equivalent to the employer and employee contributions that would be paid on deemed wage credits attributable to military service performed after 1956 if such wage credits were covered wages.

In general, an individual's contributions are computed on annual wages or net earnings from self-employment, or both wages and net self-employment earnings combined, up to a specified maximum annual amount. The contributions are determined first on the wages and then on any net self-employment earnings, such that the total does not exceed the annual maximum amount. An employee who pays contributions on wages in excess of the annual maximum amount (because of employment with two or more employers) is eligible for a refund of the excess employee contributions. The monthly benefit amount to which an individual (or his or her spouse and children) may become entitled under the OASDI program is based on the individual's covered earnings over his or her lifetime. In computing benefits for almost all persons who first become eligible to receive benefits in 1979 or later, the earnings in each year are indexed to take account of increases in average wage levels. The maximum amount of earnings on which contributions are payable in a year is also the maximum amount of earnings creditable for benefit-computation purposes in that year (the contribution and benefit base).

The contribution rates applicable in each calendar year, and the allocation of the rates between the two trust funds, are shown in table 1. For 1985 and later, the rates shown are those scheduled in present law. The contribution and benefit bases are also shown in table 1. The bases for 1975-78 were determined under the automatic-adjustment provisions in section 230 of the Social Security Act. The bases for 1979-81 were

specified in the law, as amended in 1977. The bases for 1982-84 were again determined under the automatic-adjustment provisions, as will be the bases in 1985 and later.

TABLE 1.—CONTRIBUTION AND BENEFIT BASE AND CONTRIBUTION RATES

Calendar years	Contribution and benefit base	Contribution rates (percent)					
		Employees and employers, each			Self-employed		
		OASDI	OASI	DI	OASDI	OASI	DI
1937-49.....	\$3,000	1.000	1.000	—	—	—	—
1950.....	3,000	1.500	1.500	—	—	—	—
1951-53.....	3,600	1.500	1.500	—	2.2500	2.2500	—
1954.....	3,600	2.000	2.000	—	3.0000	3.0000	—
1955-56.....	4,200	2.000	2.000	—	3.0000	3.0000	—
1957-58.....	4,200	2.250	2.000	0.250	3.3750	3.0000	0.3750
1959.....	4,800	2.500	2.250	.250	3.7500	3.3750	.3750
1960-61.....	4,800	3.000	2.750	.250	4.5000	4.1250	.3750
1962.....	4,800	3.125	2.875	.250	4.7000	4.3250	.3750
1963-65.....	4,800	3.625	3.375	.250	5.4000	5.0250	.3750
1966.....	6,600	3.850	3.500	.350	5.8000	5.2750	.5250
1967.....	6,600	3.900	3.550	.350	5.9000	5.3750	.5250
1968.....	7,800	3.800	3.325	.475	5.8000	5.0875	.7125
1969.....	7,800	4.200	3.725	.475	6.3000	5.5875	.7125
1970.....	7,800	4.200	3.650	.550	6.3000	5.4750	.8250
1971.....	7,800	4.600	4.050	.550	6.9000	6.0750	.8250
1972.....	9,000	4.600	4.050	.550	6.9000	6.0750	.8250
1973.....	10,800	4.850	4.300	.550	7.0000	6.2050	.7950
1974.....	13,200	4.950	4.375	.575	7.0000	6.1850	.8150
1975.....	14,100	4.950	4.375	.575	7.0000	6.1850	.8150
1976.....	15,300	4.950	4.375	.575	7.0000	6.1850	.8150
1977.....	16,500	4.950	4.375	.575	7.0000	6.1850	.8150
1978.....	17,700	5.050	4.275	.775	7.1000	6.0100	1.0900
1979.....	22,800	5.080	4.330	.750	7.0500	6.0100	1.0400
1980.....	25,900	5.080	4.520	.560	7.0500	6.2725	.7775
1981.....	29,700	5.350	4.700	.650	8.0000	7.0250	.9750
1982.....	32,400	5.400	4.575	.825	8.0500	6.8125	1.2375
1983.....	35,700	5.400	4.775	.625	8.0500	7.1125	.9375
1984 ¹	37,800	5.700	5.200	.500	11.4000	10.4000	1.0000
Rates scheduled in present law:							
1985-87 ¹	(*)	5.700	5.200	.500	11.4000	10.4000	1.0000
1988-89 ¹	(*)	6.060	5.530	.530	12.1200	11.0600	1.0600
1990-99.....	(*)	6.200	5.800	.800	12.4000	11.2000	1.2000
2000 and later.....	(*)	6.200	5.490	.710	12.4000	10.9800	1.4200

¹In 1984 only, an immediate credit of 0.3 percent of covered wages is allowed against the OASDI contributions paid by employees, resulting in an effective contribution rate of 5.4 percent (as compared to the employer rate of 5.7 percent). Similar credits of 2.7 percent, 2.3 percent, and 2.0 percent are allowed against the combined OASDI and HI contributions on net earnings from self-employment in 1984, 1985, and 1986-89, respectively.

*Subject to automatic adjustment.

All contributions are collected by the Internal Revenue Service and deposited in the general fund of the Treasury as internal revenue collections, except for amounts received under State agreements (to effectuate coverage under the program for State and local government employees), which are deposited directly in the trust funds. The internal revenue collections are automatically appropriated to the trust funds on an estimated basis. The exact amount of contributions received is not known initially because contributions under the OASDI and HI programs and individual income taxes are not separately identified in collection reports received by the Department of the Treasury. Periodic adjustments are subsequently made to the extent that the estimates are found to differ from the amounts of contributions actually payable as

determined from reported earnings. Adjustments are also made to account for any refunds to employees (with more than one employer) who paid contributions on wages in excess of the contribution and benefit base.

Prior to May 1983, the internal revenue collections were transferred to the trust funds immediately upon receipt. Beginning in May 1983, estimated total collections for each month are credited to the trust funds on the first day of the month. As the actual collections are received during the month, they are deposited in the general fund of the Treasury and remain there. The trust funds pay interest to the general fund to reimburse it for the interest costs attributable to these advance transfers.

In 1984 only, an immediate credit of 0.3 percent of covered wages is allowed against the OASDI contributions paid by employees, resulting in an effective contribution rate of 5.4 percent (as compared to the employer rate of 5.7 percent). The appropriations of contributions to the trust funds, however, are based on a combined employee-employer rate of 11.4 percent, as if the credit for employees did not apply. Similar credits of 2.7 percent, 2.3 percent, and 2.0 percent are allowed against the combined OASDI and HI contributions on net earnings from self-employment in 1984, 1985, and 1986-89, respectively. The appropriations of contributions to the trust funds, however, are based on the contribution rates, before adjustment for the credit, that apply in each year. After 1989, self-employed persons will be allowed a deduction, for purposes of Federal income taxes, equal to half of the combined OASDI and HI contributions payable, but this will not affect appropriations to the trust funds.

Beginning in 1984, a portion (not more than one-half) of OASDI benefits are subject to Federal income taxation under certain circumstances. The proceeds from this taxation of benefits are credited to the trust funds, in advance, on an estimated basis, at the beginning of each calendar quarter, with no reimbursement to the general fund for interest costs attributable to the advance transfers. Subsequent adjustments are made based on the actual amounts as shown on annual income tax records. The amounts appropriated from the general fund of the Treasury are allocated to the OASI and DI Trust Funds on the basis of the income taxes paid on the benefits from each fund.

Another source of income to the trust funds is interest received on investments held by the trust funds. That portion of each trust fund which, in the judgment of the Managing Trustee, is not required to meet current expenditures for benefits and administration is invested, on a daily basis, in interest-bearing obligations of the U.S. Government (including special public-debt obligations described below), in obligations guaranteed as to both principal and interest by the United States, or in certain federally sponsored agency obligations that are designated in the laws authorizing their issuance as lawful investments for fiduciary and trust funds under the control and authority of the United States or any officer of the United States. These obligations may be acquired on original issue at the issue price or by purchase of outstanding obligations at their market price.

The Social Security Act authorizes the issuance of special public-debt obligations for purchase exclusively by the trust funds. The Act provides that these obligations shall bear interest at a rate equal to the average market yield (computed on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of such calendar month.

The major expenditures of the OASI and DI Trust Funds are for (1) OASDI benefit payments, net of any reimbursements from the general fund of the Treasury for unnegotiated benefit checks, and (2) expenses incurred by the Department of Health and Human Services and by the Department of the Treasury in administering the OASDI program and the provisions of the Internal Revenue Code relating to the collection of contributions. Such administrative expenses include expenditures for construction, rental and lease, or purchase of office buildings and related facilities for the Social Security Administration. The Social Security Act does not permit expenditures from the OASI and DI Trust Funds for any purpose not related to the payment of benefits or administrative costs for the OASDI program.

The income and expenditures of the trust funds are also affected by the provisions of the Railroad Retirement Act which provide for a system of coordination and financial interchange between the Railroad Retirement program and the Social Security programs. Under these provisions, transfers between the Railroad Retirement Account and the trust funds are made on an annual basis in order to place each trust fund in the same position in which it would have been if railroad employment had always been covered under Social Security.

Several other provisions in the Social Security Act also affect the income and expenditures of the trust funds. Income is affected by provisions for (1) transfers between the general fund of the Treasury and the OASI and DI Trust Funds for any adjustments to prior reimbursements for the cost arising from the granting of noncontributory wage credits for military service prior to 1957, according to periodic determinations made by the Secretary of Health and Human Services (the estimated future cost of such wage credits was paid in a lump sum on May 20, 1983, in accordance with section 151 of Public Law 98-21); (2) annual reimbursements from the general fund of the Treasury to the OASI Trust Fund for any costs arising from the special monthly cash payments to certain persons who attained age 72 before 1968 and who generally are not eligible for cash benefits under other provisions of the OASDI program; (3) the receipt of unconditional money gifts or bequests made for the benefit of the trust funds or any activity financed through the funds; and (4) amounts charged to private employee benefit plans for providing the plans with detailed earnings information. In addition to the payment of cash benefits and administrative expenses from the trust funds, expenditures are authorized for the costs of vocational rehabilitation services furnished as an additional benefit to disabled persons receiving cash benefits because of their disability where such services contributed to their successful rehabilitation.

The net worth of facilities and other fixed capital assets is not carried in the statements of the operations of the trust funds presented in this report. This is because the value of fixed capital assets does not represent funds available for the payment of benefits or administrative expenditures, and therefore is not considered in assessing the actuarial status of the trust funds.

The Social Security Act authorizes borrowing among the OASI, DI, and HI Trust Funds when necessary "to best meet the need for financing the benefit payments" from the three funds. The timing and amounts of the loans are largely at the discretion of the Managing Trustee, although no loans can be made after 1987. Loans may not be made from a trust fund if its assets (excluding any amounts borrowed) represent less than 10 percent of its current annual rate of expenditures. The law also specifies that interest on borrowed amounts will be paid monthly at a rate "equal to the rate which the lending Trust Fund would earn on the amount involved if the loan were an investment."

In this report, the assets of a trust fund include any amounts owed to other trust funds. The assets of a trust fund to which amounts are owed do not include such amounts. This procedure is followed because borrowed amounts are available for the payment of benefits or other obligations of the borrowing fund, while such amounts are not readily available to the lending fund.

At the end of each year through 1988, if the combined assets of the OASI and DI Trust Funds exceed 15 percent of the estimated outgo in the next year, such excess over 15 percent must be used to repay any amounts owed to the HI Trust Fund. The same rule applies to loans from the OASI and DI Trust Funds to the HI Trust Fund, although no such loans are anticipated. In any case, all interfund loans must be completely repaid before 1990.

**V. SUMMARY OF THE OPERATIONS OF THE OLD-AGE AND
SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST
FUNDS, FISCAL YEAR 1983**

A. OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

A statement of the income and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund in fiscal year 1983 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 2. Comparable figures for fiscal year 1982 are also shown in the table.

TABLE 2.—STATEMENT OF OPERATIONS OF THE OASI TRUST FUND DURING FISCAL YEARS
1982 AND 1983
[In thousands]

	Fiscal year 1982	Fiscal year 1983
Total assets, beginning of year	\$23,834,020	\$12,535,224
Receipts:		
Contributions:		
Appropriations	112,233,823	115,283,832
Deposits arising from State agreements	12,249,227	13,950,260
Transfers from DI Trust Fund due to reallocated contribution rates	—	1,565,019
Payments from general fund of the Treasury representing employee- employer contributions on deemed wage credits for military service in 1957-83	—	5,621,000
Gross contributions	124,483,050	136,420,111
Less payment to the general fund of the Treasury for contributions subject to refund	236,638	292,800
Net contributions	124,246,412	136,127,311
Payments from general fund of the Treasury for costs of:		
Noncontributory wage credits for military service (before Pub. L. 98-21)	534,308	541,515
Noncontributory wage credits for military service before 1957 (under Pub. L. 98-21)	—	5,416,000
Total for military-service wage credits	534,308	5,957,515
Payments to noninsured persons who attained age 72 before 1968:		
Benefit payments	116,850	109,040
Administrative expenses	1,087	1,005
Interest	22,460	28,617
Total reimbursement for payments to noninsured persons who attained age 72 before 1968	140,407	138,662
Investment income and interest adjustments:		
Interest on investments	1,708,038	1,345,348
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs	895	1,501
Interest on reimbursement from general fund for unnegotiated checks	—	184,000
Interest on general fund payments for deemed wage credits for military service in 1957-83	—	6,493,000
Interest on amounts of transfers from DI Trust Fund due to reallocated contribution rates ¹	—	50,191
Gross investment income and interest adjustments	1,708,933	8,074,040
Less interest on interfund loans from DI and HI Trust Funds	—	1,447,183
Less interest on general fund advance tax transfers	—	96,606
Less interest on amounts transferred to the general fund account for the Supplemental Security Income program due to adjustment in allocation of administrative expenses	811	842
Less interest on amounts of interfund transfers due to adjustment in allocation of costs of vocational rehabilitation services	8	2
Less loss on securities sold ²	—	319,249
Net investment income and interest adjustments	1,708,114	6,210,157
Gifts	33	188
Total receipts	126,629,274	148,433,833

TABLE 2.—STATEMENT OF OPERATIONS OF THE OASI TRUST FUND DURING FISCAL YEARS
1982 AND 1983 (Cont.)
(In thousands)

	Fiscal year 1982	Fiscal year 1983
Disbursements:		
Benefit payments:		
Gross benefit payments.....	\$135,257,381	\$149,185,489
Less collected overpayments.....	602,752	853,300
Less reimbursement for unnegotiated checks.....	—	288,000
Net benefit payments.....	134,654,629	148,024,189
Transfer to Railroad Retirement Account.....	1,793,280	2,250,821
Payment for costs of vocational rehabilitation services for disabled beneficiaries:		
For current fiscal year.....	259	644
For prior fiscal year.....	5,466	—
Transfers to DI Trust Fund due to adjustment in allocation of costs for prior periods.....	432	24
Total payment for costs of vocational rehabilitation services.....	6,158	668
Administrative expenses:		
Department of Health and Human Services.....	1,315,448	1,420,136
Department of the Treasury.....	131,239	95,559
Construction of facilities for Social Security Administration.....	25,433	38,202
Expenses of Department of Education for administration of vocational rehabilitation program for disabled beneficiaries.....	162	—
Interfund transfers due to adjustment in allocation of costs of construction ¹	2,348	-1,913
Gross administrative expenses.....	1,474,680	1,551,985
Less reimbursement from general fund of the Treasury for costs of furnishing information on deferred vested pension benefits.....	585	699
Less receipts from sales of supplies, materials, etc.....	112	58
Net administrative expenses.....	1,474,003	1,551,227
Total disbursements.....	137,928,070	151,826,906
Interfund loans:		
From DI Trust Fund.....	—	5,081,253
From HI Trust Fund.....	—	12,437,270
Total interfund loans.....	—	17,518,523
Net increase in assets ²	-11,298,796	14,125,450
Total assets, end of year.....	12,535,224	26,660,674

¹Public Law 98-21 provided for a reallocation of tax rates between OASI and DI, retroactive to January 1, 1983. An interest adjustment was made between the trust funds to place them in the same position in which they would have been had the new tax rates actually been in effect on January 1.

²Represents capital loss on marketable securities sold in October and November 1982.

³A positive figure represents a transfer from the OASI Trust Fund to the other Social Security trust funds. A negative figure represents a transfer to the OASI Trust Fund from the other Social Security trust funds.

⁴Equals total receipts, less total disbursements, plus interfund loans from the DI and HI Trust Funds.

Note: Totals do not necessarily equal the sum of rounded components.

The total assets of the OASI Trust Fund amounted to \$12,535 million on September 30, 1982. During fiscal year 1983, total receipts amounted to \$148,434 million, and total disbursements were \$151,827 million. In addition, interfund loans totaling \$17,519 million were made from the DI and HI Trust Funds to the OASI Trust Fund. The assets of the OASI Trust Fund thus increased by \$14,125 million during the year, to a total of \$26,661 million on September 30, 1983.

Included in total receipts during fiscal year 1983 were \$115,284 million representing contributions appropriated to the fund, \$13,950 million representing amounts received by the Secretary of the Treasury in accordance with State agreements for coverage of State and local

government employees and deposited in the trust fund, \$1,565 representing contributions transferred from the DI Trust Fund to the OASI Trust Fund because of a retroactive reallocation of the OASDI tax rate between the two funds (see below), and \$5,621 million in payments from the general fund of the Treasury representing the contributions that would have been paid on deemed wage credits for military service in 1957-83 if such credits had been considered to be covered wages, less past reimbursements for the cost of OASDI benefits attributable to such credits, as described later in this subsection. As an offset, \$293 million was transferred from the trust fund to the Treasury for the estimated amount of refunds to employees who worked for more than one employer during a year and paid contributions on wages in excess of the maximum earnings base.

Net contributions (including the general fund payments for military-service credits) amounted to \$136,127 million, an increase of 9.6 percent over the amount for the preceding fiscal year. This level of growth in contribution income resulted primarily from the net effect of (1) the higher level of earnings in covered employment; (2) the general fund transfer attributable to military-service wage credits in 1957-83, as mentioned above; (3) the two increases in the maximum annual amount of taxable earnings—from \$29,700 to \$32,400 and from \$32,400 to \$35,700—that became effective on January 1, 1982, and January 1, 1983, respectively; and (4) the decrease in the OASI contribution rate for employees and employers, each, from 4.70 percent to 4.575 percent that became effective on January 1, 1982, and the increase from 4.575 percent to 4.775 percent that was enacted on April 20, 1983, but which was retroactive to January 1, 1983. Although the first increase in the maximum annual amount of taxable earnings, from \$29,700 to \$32,400, became effective in 1982, earnings between \$29,700 and \$32,400, which were taxable during all of fiscal year 1983, were taxable during only part of the preceding fiscal year. The retroactive increase in the OASI tax rate for 1983 was exactly offset by a retroactive decrease in the tax rate allocated to the DI Trust Fund (from 0.825 percent to 0.625 percent for employees and employers, each). The resulting adjustments in contribution income were effected by a transfer from the DI Trust Fund to the OASI Trust Fund on June 30, 1983. An associated adjustment to investment income was also made at that time.

Reference has been made above and in earlier sections to provisions of the Social Security Act under which the OASI and DI Trust Funds receive payments from the general fund of the Treasury for costs of granting deemed wage credits for military service and for the costs associated with providing payments to certain noninsured persons who attained age 72 before 1968. The financing basis of military-service wage credits was substantially revised beginning in fiscal year 1983. Prior to the enactment of the 1983 amendments, section 217(g) of the Social Security Act provided for the amortized reimbursement of the total costs (past and future) attributable to noncontributory military-service wage credits granted for such service before 1957. In accordance with section 217(g), as in effect at the time, the Secretary of Health and Human Services made a determination in 1980 of the level annual appropriations

to the trust funds necessary to amortize the estimated total cost over a 34-year period, beginning with fiscal year 1982. The annual amounts resulting from this determination were \$491 million for the OASI Trust Fund and \$126 million for the DI Trust Fund. In accordance with section 229(b) of the Social Security Act, as in effect in December 1982, the Secretary of Health and Human Services determined that the OASI Trust Fund should receive additional reimbursement of \$51 million, and the DI Trust Fund should receive reimbursement of \$48 million, for costs in fiscal year 1982 attributable to deemed wage credits for military service performed after 1956. Thus, reimbursements amounting to \$542 million for the OASI Trust Fund and \$174 million for the DI Trust Fund were received in December 1982.

The 1983 amendments changed the financing basis of all deemed wage credits for military service. For such credits attributable to military service before 1957, the aforementioned amortization schedule was replaced by immediate, full payment from the general fund of the Treasury. This payment was determined on an estimated basis; any adjustments needed to reflect actual future experience are to be made in calendar year 1985 and every fifth year thereafter. For credits attributable to military service after 1956, the annual reimbursements for the additional costs associated with such credits were replaced by annual payments from the general fund of the Treasury (retroactive to 1957) representing the contributions that would be payable, at the combined employee-employer rate, if such credits were covered wages.

As a result of these changes, several amounts were transferred from the general fund of the Treasury to the trust funds on May 20, 1983. These amounts represented:

1. The additional past and future benefit payments and administrative costs, adjusted for interest, attributable to noncontributory wage credits granted for military service before 1957, less the accumulated value of past reimbursements for the costs associated with such credits;
2. The contributions that would have been paid on deemed wage credits granted for military service in 1957-83, if such credits had been considered to be covered wages, as described above, less past reimbursements for the costs associated with such credits; and
3. Interest on the net additional transfers, described in item 2, for deemed wage credits granted for military service in 1957-83.

The amounts transferred on May 20, 1983, are shown in the following table, for both the OASI and the DI Trust Funds:

	Transfers from the general fund of the Treasury attributable to changes in the financing basis of military-service wage credits (in millions)		
	OASI	DI	Total
Total.....	\$17,530	\$2,205	\$19,735
Additional past and future costs of credits for military service before 1957.....	5,416	1,121	6,537
Amounts representing contributions on credits for military service in 1957-83.....	5,621	444	6,065
Interest on transfers relating to military service in 1957-83.....	6,493	640	7,133

A reimbursement amounting to \$139 million for the costs associated with providing monthly payments to certain noninsured persons who attained age 72 before 1968 was transferred from the general fund of the Treasury to the OASI Trust Fund in fiscal year 1983. This reimbursement, which was required by section 228 of the Social Security Act, reflected the costs of payments made in fiscal year 1981 and adjustments in the costs of payments made in prior fiscal years.

The OASI Trust Fund received \$187,707 in gifts in fiscal year 1983 under the provisions authorizing the deposit of money gifts or bequests in the OASI and DI Trust Funds.

The remaining \$6,210 million of receipts consisted of (1) interest on the investments of the trust fund; (2) interest on the general fund transfers for deemed wage credits granted for military service after 1956 (as described previously), and for unnegotiated benefit checks (see below); and (3) net interest on amounts of interfund transfers arising from interfund loans, the retroactive tax rate reallocation, and adjustments in the allocation of administrative expenses, construction costs, and the costs of vocational rehabilitation services for prior fiscal years. These net interest amounts were partially offset by a capital loss incurred on the sale of the marketable securities held by the trust fund, in October and November 1982, and by payments from the trust fund to the general fund of the Treasury for its interest costs resulting from the advance transfer of contributions, which began in May 1983 as required by the 1983 amendments.

Of the \$151,827 million in total disbursements, \$148,024 million was for net benefit payments, excluding collected overpayments of \$853 million and the reimbursement of \$288 million (subject to adjustment) for unnegotiated benefit checks, as provided for in the 1983 amendments. (This reimbursement represented the estimated value of all OASI benefit checks issued prior to June 1983 which had not been negotiated within 6 months of issuance. An additional amount of \$184 million representing interest on such unnegotiated checks was also transferred, as noted previously.) This represents an increase of 9.9 percent over the corresponding amount for benefit payments in fiscal year 1982. This increase was due primarily to (1) the automatic cost-of-living benefit increase of 7.4 percent which became effective for June 1982 under the automatic provisions in section 215(i) of the Social Security Act and (2) increases in the total number of beneficiaries and increases in the average benefit amounts resulting from the rising level of earnings. Although the automatic benefit increase of 7.4 percent became effective in 1982, the resulting higher benefit levels (which were in effect during all of fiscal year 1983) were in effect during only part of the preceding fiscal year. The change in benefit payments from fiscal year 1982 to fiscal year 1983 also reflects the net effect of various provisions in the 1977 and later amendments. The Social Security Amendments of 1983 provided for a change in the effective month for the automatic cost-of-living increases in OASDI benefits, from June to December, beginning in 1983. As a result, the 3.5-percent benefit increase determined and announced for 1983 did not affect benefit payments in fiscal year 1983.

In accordance with the provisions of the Railroad Retirement Act which coordinate the Railroad Retirement and OASI programs and which govern the financial interchanges arising from the allocation of costs between the two systems, the Railroad Retirement Board and the Secretary of Health and Human Services determined that a transfer of \$2,088 million to the Railroad Retirement Account from the OASI Trust Fund would place this trust fund in the same position as of September 30, 1982, in which it would have been if railroad employment had always been covered under the Social Security Act. A total amount of \$2,251 million was transferred to the Railroad Retirement Account in June 1983, including interest to the date of transfer amounting to \$163 million.

Expenditures of the OASI program for the costs of vocational rehabilitation services amounted to \$668,000. This amount represents payment for services provided in fiscal year 1983 and transfers to the DI Trust Fund resulting from adjustments to the allocations of vocational rehabilitation expenses between the two trust funds in prior years. Rehabilitation services were furnished to disabled adults (children of old-age beneficiaries and survivors of deceased insured workers) who were receiving monthly benefits from the OASI Trust Fund because of their disability. The reimbursement by the trust funds for such services is limited to certain cases where a return to substantial gainful activity results (at least in part) from the rehabilitation services.

The remaining \$1.551 million of disbursements from the OASI Trust Fund represents net administrative expenses. The expenses of administering the programs financed through the four trust funds (the OASI, DI, HI, and Supplementary Medical Insurance Trust Funds) are allocated and charged directly to each trust fund on the basis of provisional estimates. Similarly, the expenses of administering the Supplemental Security Income program are also allocated and charged directly to the general fund of the Treasury on a provisional basis. Periodically, as actual experience develops and is analyzed, adjustments to the allocations of administrative expenses and costs of construction for prior periods are effected by interfund transfers, including transfers between the OASI Trust Fund and the general fund account for the Supplemental Security Income program, with appropriate interest adjustments.

Section 1131 of the Social Security Act authorizes annual reimbursements from the general fund of the Treasury to the OASI Trust Fund for additional administrative expenses incurred as a result of furnishing information on deferred vested benefits to pension plan participants, as required by the Employee Retirement Income Security Act of 1974. This annual reimbursement in fiscal year 1983 amounted to \$699,165.

Net administrative expenses charged to the OASI and DI Trust Funds in fiscal year 1983 totaled \$2,210 million. (The operations of the DI Trust Fund are presented in detail in the next subsection.) This amount represented 1.4 percent of contribution income and 1.3 percent of expenditures for benefit payments. Corresponding percentages for each of the last 5 years for the OASDI system as a whole and for each trust fund separately are shown in table 3.

TABLE 3.—RELATIONSHIP OF NET ADMINISTRATIVE EXPENSES OF THE OASDI PROGRAM TO CONTRIBUTION INCOME AND BENEFIT PAYMENTS, BY TRUST FUND, FISCAL YEARS 1979-83

Fiscal year	Total— Administrative expenses as a percentage of—		OASI Trust Fund— Administrative expenses as a percentage of—		DI Trust Fund— Administrative expenses as a percentage of—	
	Total contribu- tion income	Total benefit payments	Contribution income	Benefit payments	Contribution income	Benefit payments
1979	1.5	1.5	1.3	1.2	2.8	3.0
1980	1.3	1.3	1.2	1.2	2.0	2.2
1981	1.3	1.2	1.1	1.1	3.2	2.4
1982	1.4	1.3	1.2	1.1	2.7	3.3
1983	1.4	1.3	1.1	1.0	3.5	3.8

Reference has been made in an earlier section to provisions of the Social Security Act authorizing interfund borrowing among the OASI, DI, and HI Trust Funds. Under these provisions, a total of \$17,519 million was lent to the OASI Trust Fund in November and December of 1982 — \$5,081 million from the DI Trust Fund and \$12,437 million from the HI Trust Fund.

In table 4, the actual amounts of contributions and benefit payments in fiscal year 1983 are compared with the corresponding estimated amounts which appeared in the 1983 Annual Report. The estimates shown are the ones based on the alternative II-B set of assumptions from the 1983 Annual Report. The actual experience for each trust fund was quite close, relatively, to the estimates. Comparisons with estimates from the 1982 Annual Report are not shown, because the effects of the Social Security Amendments of 1983 would invalidate the results. Reference was made in an earlier section to the appropriation of contributions to the trust funds on an estimated basis, with subsequent periodic adjustments to account for differences from the amounts of contributions actually payable on the basis of reported earnings. In interpreting the figures in table 4, it should be noted that the "actual" amount of contributions in fiscal year 1983 reflects the aforementioned adjustments to contributions for prior fiscal years. On the other hand, the "actual" amount of contributions in fiscal year 1983 does not reflect adjustments to contributions for fiscal year 1983 that were to be made after September 30, 1983.

TABLE 4.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, FISCAL YEAR 1983
[Amounts in millions]

	OASI Trust Fund		DI Trust Fund	
	Net contributions	Benefit payments	Net contributions	Benefit payments
Actual amount	\$136,127	\$148,024	\$19,036	\$17,540
Estimated amount published in 1983 report	\$136,500	\$147,353	\$19,157	\$17,322
Actual as percentage of estimate	100	100	99	101

At the end of fiscal year 1983, about 35.9 million persons were receiving monthly benefits under the OASDI program. About 32.1 million of these persons were receiving monthly benefits from the OASI Trust Fund. The distribution of benefit payments in fiscal years 1982 and 1983, by type of beneficiary, is shown in table 5. Approximately 76 percent of the total benefit payments from the OASI Trust Fund in fiscal year 1983 represented monthly benefits to retired workers and their

spouses and children, and about 17 percent represented monthly benefits to aged survivors and disabled widows and widowers of deceased workers. Approximately 7 percent of the benefit payments represented monthly benefits on behalf of children of deceased workers and monthly benefits to widowed mothers and fathers who had such children in their care.

TABLE 5.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE OASI TRUST FUND, BY TYPE OF BENEFICIARY AND PAYMENT, FISCAL YEARS 1982 AND 1983
[Amounts in millions]

	Fiscal year 1982		Fiscal year 1983	
	Amount	Percentage of total	Amount	Percentage of total
Total.....	\$134,655	100	\$148,312	100
Monthly benefits.....	134,445	100	148,106	100
Retired workers and their dependents.....	101,290	75	112,914	76
Retired workers.....	91,791	68	102,533	69
Wives and husbands.....	8,230	6	9,224	6
Children.....	1,269	1	1,157	1
Survivors of deceased workers.....	33,053	25	35,102	24
Aged widows and widowers.....	22,472	17	24,792	17
Disabled widows and widowers.....	348	(¹)	348	(¹)
Parents.....	59	(¹)	58	(¹)
Children.....	8,331	6	8,029	5
Widowed mothers and fathers caring for child beneficiaries.....	1,843	1	1,877	1
Noninsured persons generally aged 72 before 1968.....	102	(¹)	89	(¹)
Lump-sum death payments.....	210	(¹)	206	(¹)

¹Less than 0.5 percent.

Note: Totals do not necessarily equal the sum of rounded components.

In fiscal year 1983, special payments to noninsured persons who attained age 72 before 1968 (or who attained age 72 after 1967 and had 3 quarters of coverage for each year after 1966 and before the attainment of age 72) amounted to \$89 million, or about 0.1 percent of total benefit payments. The costs associated with providing such payments to persons who have fewer than 3 quarters of coverage are reimbursable from the general fund of the Treasury. About 96 percent of the total of such payments went to persons with fewer than 3 quarters of coverage.

During fiscal year 1983, lump-sum death payments amounted to \$206 million, or about 0.1 percent of total benefit payments.

The assets of the OASI Trust Fund at the end of fiscal year 1983 totaled \$26,661 million, consisting of \$25,503 million in U.S. Government obligations and an undisbursed balance of \$1,158 million. Table 6 shows the total assets of the fund and their distribution at the end of each fiscal year 1982 and 1983.

TABLE 6.—ASSETS OF THE OASI TRUST FUND, BY TYPE, AT END OF FISCAL YEAR, 1982 AND 1983

	September 30, 1982		September 30, 1983	
	Par value	Book value ¹	Par value	Book value ¹
Investments in public-debt obligations:				
Public issues:				
Treasury bonds:				
3-percent, 1995.....	\$70,170,000	\$70,157,371.99	—	—
3½-percent, 1978-83.....	80,200,000	80,180,542.62	—	—
3½-percent, 1985.....	25,700,000	25,475,412.95	—	—
3½-percent, 1990.....	556,250,000	553,138,291.71	—	—
3½-percent, 1998.....	552,037,000	547,071,995.41	—	—
4½-percent, 1989-94.....	91,300,000	90,949,879.77	—	—
4½-percent, 1975-85.....	78,023,000	77,968,794.14	—	—
4½-percent, 1987-92.....	33,000,000	33,514,474.68	—	—
6½-percent, 1984.....	31,500,000	31,587,036.21	—	—
7½-percent, 1988-93.....	99,934,000	99,066,909.92	—	—
7½-percent, 2002-07.....	15,000,000	14,992,796.86	—	—
7½-percent, 1995-2000.....	22,180,000	21,651,358.14	—	—
8-percent, 1996-2001.....	90,500,000	90,427,050.72	—	—
8½-percent, 2000-05.....	22,450,000	22,445,243.34	—	—
8½-percent, 1995-2000.....	50,000,000	50,540,404.25	—	—
8½-percent, 1994-99.....	6,352,000	6,472,286.56	—	—
11½-percent, 2010.....	153,100,000	152,073,345.28	—	—
Total investments in public issues.....	1,957,696,000	1,947,693,194.55	—	—
Obligations sold only to the trust funds (special issues):				
Certificates of indebtedness:				
11½-percent, 1984.....	—	—	\$7,421,193,000	\$7,421,193,000.00
12½-percent, 1983.....	8,209,913,000	8,209,913,000.00	—	—
Bonds:				
10½-percent, 1984.....	—	—	3,770,272,000	3,770,272,000.00
10½-percent, 1985.....	—	—	1,022,231,000	1,022,231,000.00
10½-percent, 1986.....	—	—	1,022,231,000	1,022,231,000.00
10½-percent, 1987.....	—	—	1,022,231,000	1,022,231,000.00
10½-percent, 1988.....	—	—	1,022,231,000	1,022,231,000.00
10½-percent, 1989.....	—	—	1,022,231,000	1,022,231,000.00
10½-percent, 1990.....	—	—	1,022,231,000	1,022,231,000.00
10½-percent, 1991.....	—	—	1,022,231,000	1,022,231,000.00
10½-percent, 1992.....	—	—	1,022,231,000	1,022,231,000.00
10½-percent, 1993.....	—	—	1,022,231,000	1,022,231,000.00
10½-percent, 1994.....	—	—	1,022,231,000	1,022,231,000.00
10½-percent, 1995.....	—	—	1,022,231,000	1,022,231,000.00
10½-percent, 1996.....	—	—	1,022,231,000	1,022,231,000.00
10½-percent, 1997.....	—	—	1,022,230,000	1,022,230,000.00
10½-percent, 1998.....	—	—	1,022,230,000	1,022,230,000.00
13-percent, 1996.....	1,308,977,000	1,308,977,000.00	—	—
Total obligations sold only to the trust funds (special issues).....	9,518,890,000	9,518,890,000.00	25,502,697,000	25,502,697,000.00
Total investments in public-debt obligations.....	11,476,586,000	11,466,583,194.55	25,502,697,000	25,502,697,000.00

TABLE 6.—ASSETS OF THE OASI TRUST FUND, BY TYPE, AT END OF FISCAL YEAR, 1982 AND 1983 (Cont.)

	September 30, 1982		September 30, 1983	
	Par value	Book value ¹	Par value	Book value ¹
Investments in federally sponsored agency obligations:				
Participation certificates:				
Federal Assets Liquidation Trust — Government National Mortgage Association:				
5.10-percent, 1987	\$50,000,000	\$50,000,000.00	—	—
Federal Assets Financing Trust — Government National Mortgage Association:				
6.05-percent, 1988	65,000,000	64,935,000.88	—	—
6.20-percent, 1988	230,000,000	230,000,000.00	—	—
6.40-percent, 1987	75,000,000	75,000,000.00	—	—
6.45-percent, 1988	35,000,000	35,000,000.00	—	—
Total investments in federally sponsored agency obligations	455,000,000	454,935,000.88	—	—
Total investments	11,931,586,000	11,921,518,195.43	\$25,502,697,000	\$25,502,697,000.00
Undisbursed balances	—	613,705,878.57	—	1,157,976,874.71
Total assets	—	12,535,224,074.00	—	26,660,673,874.71

¹ Par value, plus unamortized premium or less discount outstanding.

The net increase in the par value of the investments owned by the fund during fiscal year 1983 amounted to \$13,571 million. New securities with a total par value of \$195,058 million were acquired during the fiscal year through the investment of receipts and interfund loans, and the reinvestment of funds made available from the redemption of securities. The par value of securities redeemed during the fiscal year was \$181,487 million. Included in these amounts are \$165,077 million in certificates of indebtedness that were acquired, and \$165,865 million in certificates of indebtedness that were redeemed, during the fiscal year.

The effective annual rate of interest earned by the assets of the OASI Trust Fund during the 12 months ending on June 30, 1983, was 11.2 percent. (This period is used, rather than the fiscal year, because (1) rollovers of short-term special-issue notes into longer-term special-issue bonds occur on June 30 of each year, and (2) interest on special issues is paid semiannually on June 30 and December 31.) The effective *yield* on the assets of the OASI Trust Fund, including the effect of capital gains and losses, would be significantly lower for this period. The difference is attributable to the capital loss that was incurred on the sale of the trust fund's remaining marketable securities in October and November 1982, as discussed previously. The interest rate on special issues purchased by the trust fund in June 1983 was 10.75 percent, payable semiannually. Special issues with a total par value of \$29,982 million were purchased in that month. Although the interest rate on Treasury bonds is generally limited by law to 4½ percent, the law authorizes the issuance of bonds to the trust funds at rates of interest exceeding 4½ percent.

Section 201(d) of the Social Security Act provides that the public-debt obligations issued for purchase by the OASI and DI Trust Funds shall have maturities fixed with due regard for the needs of the funds. The general practice in the past has been to spread the maturity dates for the holdings of special issues as nearly as practicable in equal amounts over a

15-year period. In 1982 and 1983, however, as a result of the relatively low level of assets in the OASI Trust Fund, a somewhat different procedure was followed. In those years, maturity dates on new issues were set by first providing for specific cash-flow requirements in the immediate future and then setting maturity dates for any remaining new issues so that the total portfolio would be distributed as evenly as possible over a 15-year period. On June 30, 1983, for example, slightly over one-half of the total purchase of new special-issue bonds for the OASI Trust Fund carried the maturity date of June 30, 1984. The remainder was spread evenly among bonds maturing in each year 1985-98.